

Message Text

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PAGE 01 EC BRU 07498 291903Z

54

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: COMPULSARY PURCHASE SCHEME, STORAGE SUBSIDY PROGRAM

REF (A) EC BRUSSELS 5925, (B) EC BRUSSELS 3633,
(C) EC BRUSSELS 6519

1. SUMMARY: THE COMMISSION ADVISES US THAT AS OF THE END OF JUNE, DEPOSITS COLLECTED UNDER THE COMPULSORY PURCHASE SCHEME COVERED THE EQUIVALENT OF ABOUT 200,000 TONS OF NFDM. ABOUT 100,000 TONS OF NFDM HAVE ACTUALLY BEEN PURCHASED AND DENATURED. THE COMMISSION ALSO INDICATES THAT THE STORAGE SUBSIDY PROGRAM FOR PROTEIN PRODUCTS WILL NOT BE PUT INTO OPERATION UNTIL SEPTEMBER. END SUMMARY.

2. AN OFFICIAL IN THE COMMISSION'S OILSEEDS SECTION GAVE US THE FOLLOWING FIGURES RE THE OPERATION OF THE EC'S NFDM COMPULSORY PURCHASE SCHEME AS OF THE END OF JUNE:

METRIC TONS OF NFDM

NFDM EQUIVALENT OF DEPOSITS COLLECTED (1) - 200,000

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PAGE 02 EC BRU 07498 291903Z

CONTRACTS FOR THE PURCHASE OF NFDM

UNDER THE SCHEME - NEARLY 200,000
AMOUNTS DELIVERED UNDER THE SCHEME - 150,000
AMOUNTS DENATURED UNDER THE SCHEME - 100,000

(1) IT SHOULD BE RECALLED THAT EACH DEPOSIT OF 54 UNITS OF ACCOUNT ENTAILS AN OBLIGATION TO PURCHASE 100 KGS. OF NFDM (IF THE DEPOSIT IS TO BE REFUNDED); THUS, AN NFDM EQUIVALENT OF DEPOSITS COLLECTED CAN BE READILY CALCULATED.

THE OFFICIAL CAUTIONED THAT THE FIGURES ARE STILL QUITE ROUGH AND THAT THE COMMISSION IS STILL WORKING ON THEM. THE FIGURES ON DEPOSITS COLLECTED WERE FELT TO BE LESS RELIABLE THAN THE OTHERS SINCE THEY WERE BASED ON REPORTS SUBMITTED BY A VERY LARGE NUMBER OF CUSTOMS OFFICES; IN PARTICULAR, IT WAS FELT THAT THE DATA SUBMITTED BY ITALY GREATLY UNDERESTIMATED THE AMOUNT OF COLLECTIONS.

3. IN VIEWING THE FIGURES IN PARAGRAPH 2 AS INDICATORS OF THE PROGRESS OF THE COMPULSORY PURCHASE SCHEME, THE FOLLOWING POINTS SHOULD BE TAKEN INTO ACCOUNT. THE SCHEME IS FULFILLED WHEN THE NFDM IS DENATURED IN ACCORDANCE WITH THE PROVISIONS GOVERNING THE SCHEME; AT THAT TIME, THE SO-CALLED PURCHASE DOCUMENT-- NECESSARY TO OBTAIN A REFUND OF THE DEPOSIT POSTED WHEN PROTEIN PRODUCTS ARE IMPORTED--IS GRANTED. THUS, NFDM SO DENATURED CAN BE CONSIDERED DEFINITELY DISPOSED OF AND SUBTRACTED FROM THE EC'S TARGET OF 400,000 TONS. FIGURES ON THE AMOUNTS OF NFDM ACTUALLY DELIVERED UNDER THE SCHEME ARE ALMOST AS FIRM SINCE PURCHASERS MUST POST A "DENATURING SECURITY" OF 40 U.A./100 KG. WHICH IS REFUNDED ONLY WHEN THE NFDM IS ACTUALLY DENATURED AND SO CERTIFIED. ON THE OTHER HAND, FIGURES ON CONTRACTS CONCLUDED FOR THE PURCHASE OF NFDM ARE NOT FIRM SINCE THESE CONTRACTS CAN BE BROKEN WITHOUT PENALTY. HOWEVER, THE COMMISSION REGARDS THEM AS A REASONABLY GOOD INDICATION OF THE LIKELY DEVELOPMENT OF THE SCHEME IN THE NEAR FUTURE AND IS PLEASED THAT THIS FIGURE IS RUNNING SO CLOSE TO THE NFDM EQUIVALENT OF DEPOSITS COLLECTED. THEY SEE THIS CLOSE CORRELATION AS AN INDICATION THAT THERE WILL BE A MINIMAL LAG BETWEEN THE POSTING OF DEPOSITS ON IMPORTED PROTEIN PRODUCTS AND THE USE OF NFDM. (IT SHOULD BE RECALLED THAT EC REGULATIONS ALLOW UP TO 9 MONTHS FOR THE RECUPERATION OF A DEPOSIT).

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PAGE 03 EC BRU 07498 291903Z

4. THE FIGURE ON THE NFDM EQUIVALENT OF DEPOSITS COLLECTED IS AN EVEN WEAKER INDICATOR OF THE PROGRESS OF THE SCHEME. ACTUAL PURCHASES WILL BE BELOW THIS FIGURE TO THE EXTENT THAT DEPOSITS ARE EITHER FORFEITED OR REFUNDED ON CERTAIN PRODUCTS EXEMPTED FROM THE NFDM PURCHASE REQUIREMENT (E.G., PRODUCTS DESTINED FOR HUMAN CONSUMPTION). AS A RULE OF THUMB, THE COMMISSION IS ESTIMATING THAT FORFEITS AND EXEMPTIONS WILL AMOUNT TO ONLY 10

PERCENT OF THE DEPOSITS COLLECTED. HOWEVER, THERE IS LITTLE DATA TO BACK UP THIS ASSUMPTION.

5. IN GENERAL, THE COMMISSION FEELS THAT THE SCHEME IS MOVING WELL, ESPECIALLY WHEN ITS SLOW START IS TAKEN INTO CONSIDERATION, AND THEY ARE OPTIMISTIC THAT THE 400,000 TON TARGET CAN BE ATTAINED CLOSE TO OCTOBER 31.

6. STORAGE SUBSIDY PROGRAM--THE OFFICIAL SAID THAT IMPLEMENTING REGULATIONS TO PUT THE STORAGE SUBSIDY PROGRAM FOR PROTEIN PRODUCTS (REF C) IN EFFECT HAVE NOT YET BEEN WORKED OUT; SHE DID NOT EXPECT THESE REGULATIONS TO BE ISSUED BEFORE SEPTEMBER. (THE COMMISSION AND ITS STAFF WILL BE AWAY IN THE MONTH OF AUGUST). IN A CONVERSATION WITH THE DCM, HANNAY CONFIRMED THAT THE PROGRAM WILL NOT BE PUT INTO EFFECT UNTIL SEPTEMBER.

HE SAID THAT LARDINOIS HAD TOLD SOAMES THAT HE WOULD PREFER TO DELAY ITS APPLICATION--PRIMARILY BECAUSE OF THE CURRENT HIGH PRICES FOR SOYBEANS--UNLESS THERE WERE "OVERWHELMING POLICY REASONS" FOR ITS IMMEDIATE APPLICATION. SOAMES DID NOT PRESS LARDINOIS. (COMMENT: COUNCIL REGULATION NO. 1531/76 (REPORTED REF C) WHICH ESTABLISHED THE STORAGE SUBSIDY PROGRAM, PROVIDED FOR THE CONCLUSION OF PRIVATE STORAGE CONTRACTS DURING THE PERIOD JULY 1 TO OCTOBER 31, 1976. THUS, DELAY OF THE ACTUAL IMPLEMENTATION OF THE PROGRAM UNTIL SEPTEMBER WILL LEAVE ONLY A SHORT PERIOD TO AWARD STORAGE CONTRACTS--UNLESS THE BASIC REGULATION IS ALTERED BY THE COUNCIL. END COMMEND.)
HINTON

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